





The Business of Electronics Corporation of America, while ever-expanding as to size, is essentially unchanging in character from year to year. ECA serves two basic industrial markets, and thirdly, through its Military and Aerospace Division, serves Government and industry as a source — unique, we believe, in the free world — for sophisticated infrared semiconductors and highly complex sensor arrays.

■ **The first** basic market is the present unparalleled demand for power, reflecting industrial expansion at an unprecedented rate throughout the world. Existing utility and industrial power units have undergone enormous expansion while electric utility power stations having generating capacities which dwarf those built in the past have recently been erected or are under construction.

FIREYE burner management systems throughout the world monitor and supervise the largest power stations and industrial boilers down to the smallest commercial heating and process burners. FIREYE controls range in size from multiple-burner management systems for the new giant utility power stations to compact control packages small enough to be held in the hand yet capable of the programmed flame-monitoring required by stringent safety codes. FIREYE burner management systems, recognized throughout the power industry as foremost in quality and function, are installed in by far the great majority of public utility and large industrial power stations using automatic burner management systems. Moreover, 9 out of 10 packaged power generators use FIREYE controls.

■ **The second** basic industrial market is the expansion, modernization, and automation of production facilities on a worldwide basis. The PHOTOSWITCH line of electronic and photoelectric controls provides automation

for just about every industrial process and manufacturing activity.

PHOTOSWITCH photoelectric controls serve every industry by counting, actuating, spacing, safeguarding, starting, stopping, inspecting, bottling, controlling, guiding, signalling, monitoring, painting, — a seemingly endless list of activities which involve electronic seeing, thinking, and doing. PHOTOSWITCH electronic timers are used for molding, welding, packaging, filling, sequencing, and innumerable other purposes. Liquid levels are monitored by PHOTOSWITCH controls in dairy, chemical, sewage treatment, and other industrial installations.

■ **Thirdly**, the Military and Aerospace Division plays an important and continuing role in military and space programs of the highest national priority and on the very forefront of that special field of infrared technology which ECA research has done so much to create and to advance, over the past twenty years, to its present high state of technological development. Regrettably, the classified nature of much of this work discourages describing scientific accomplishments of first rank and of great value to our society and to our nation.



For more than thirty-two years, this Corporation's growth has resulted from the development and sale of its own proprietary electronic products in world markets. We have pursued a policy of, first, growth by research: many of our products which have opened up areas of new capability for industry and in the important field of power generation had their beginnings as fundamental research and development in our laboratories. Second, there is growth by expanding product lines, reflecting the upward trend in automation in industry and the automatic supervision of power generation on land and on sea.

To Our Shareholders:

Operations in 1968 produced the greatest annual increase in consolidated sales in the history of the Company and set a new high in a pattern of consistent sales growth which continues to maintain its steep trend upward. Total sales, including those of our wholly-owned subsidiaries, amounted to \$16,566,701 up 22% from last year. Industrial and commercial sales, amounting to 85% of total sales, established a record for annual growth in each Division, with the balance, (15%), being to the Government.

Earnings from operations were a record \$1,639,998 representing an increase of 11% over that figure for last year. Net earnings were \$597,810, reflecting the retroactive Federal Income Tax Surtax amounting to 8¢ per common share, which distorts adversely the trend in earnings when compared with sales. Moreover, net earnings per share were further reduced 2¢ due to an increase in the number of common shares outstanding (14,500) by reason of the exercise of stock options under the Company's Restricted Stock Option Plan. On this basis, net earnings per share for 1968 were 80¢ as against 90¢ in 1967.

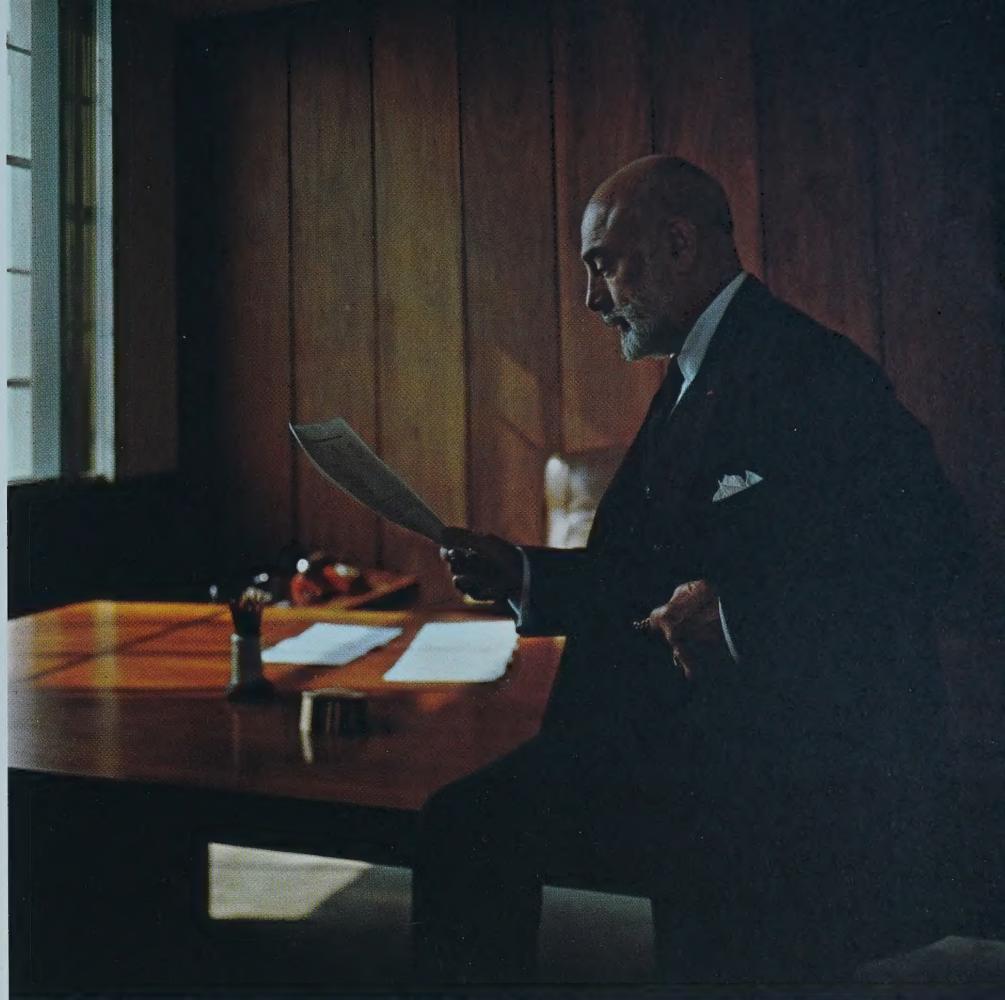
During the year there was a work stoppage of six days by a strike occurring consonant with negotiations associated with contract renewal. The issue was confined primarily to the matter of measures adopted to reduce absenteeism. Work was resumed after mutual acceptance of contractual terms essentially as originally negotiated, including these measures.

We are continuously expanding our sizable computer facilities as a powerful management tool for the resolution of those fundamental sectors of business activity which require decision based upon analysis or an ever-increasing degree of control. Such sectors include market analyses, product-profile sales worldwide, production planning and scheduling, inventory control and the generation of a profit and loss statement product by product.

In general, it is expected that the sales trend will continue upward and that, more importantly, this expanded volume will be more fully translated to operating income now that sizable start-up costs and other non-recurring expenses incurred in 1968 to achieve this new high level of sales have been absorbed.

Our goals of ever greater usefulness to the important industries we serve, and of solid growth and return to our shareholders are steadily being realized.

It gives me great pleasure to submit this report of the Corporation's progress for 1968.



ARTHUR G. B. METCALF
President and Chairman of the Board

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AUDITORS

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PRINCIPAL DEPOSITORY

The Chase Manhattan Bank, New York

TRANSFER AGENTS

Stone & Webster Service Corporation, Boston
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REGISTRARS

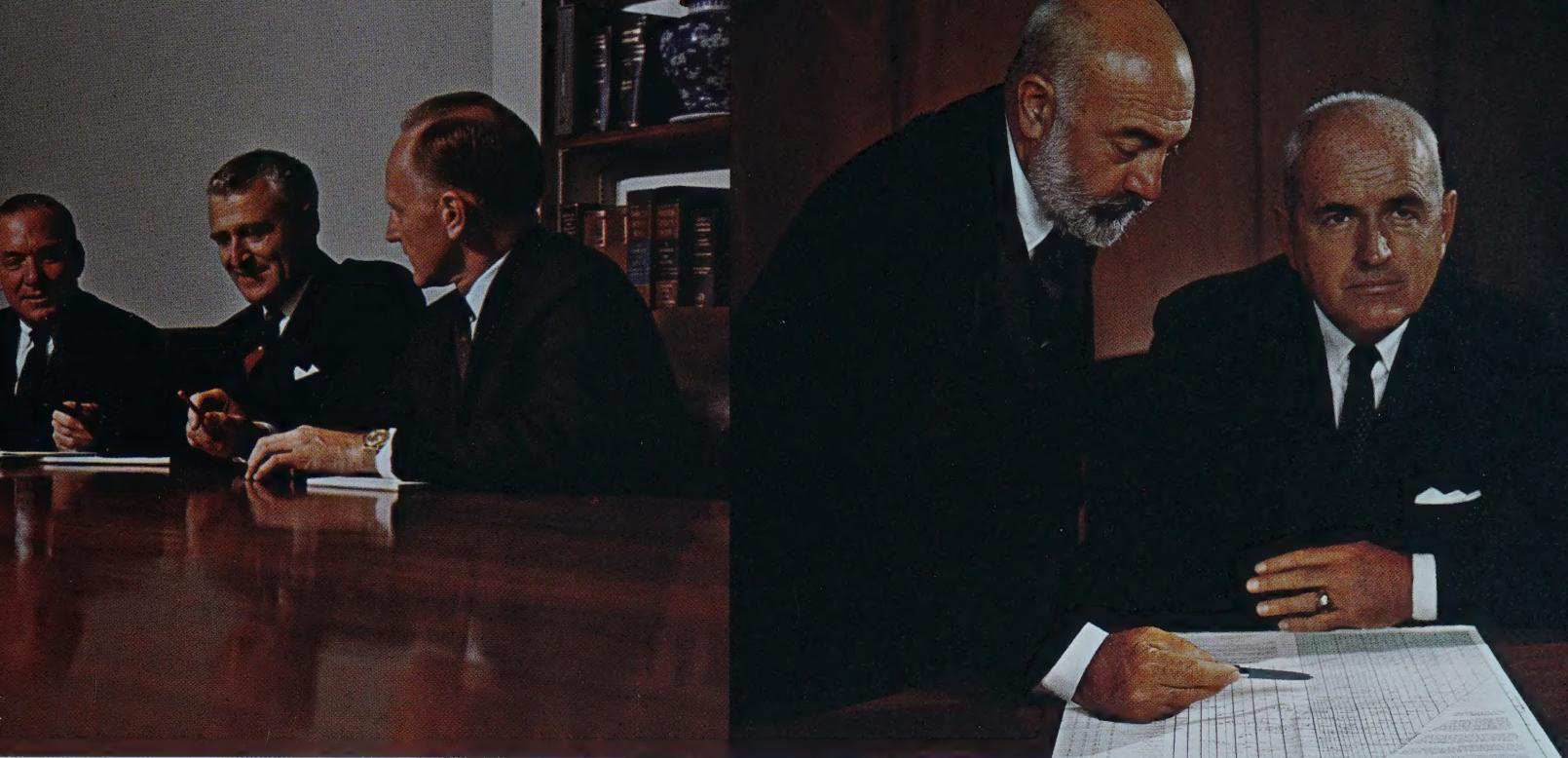
State Street Bank and Trust Company, Boston
The Chase Manhattan Bank, New York

DIVISIONS

Combustion Control Division/Photoswitch Division/Military and Aerospace Division

SUBSIDIARY CORPORATIONS

Electronics Corporation of America (Canada) Ltd. — Canada
Electronics Corporation of America (Great Britain) Limited — England
Electronics Corporation of America (Europe) S.A. — Belgium
Electronics Corporation of America (France) s.a.r.l. — France
Electronics Corporation of America (Deutschland) G.m.b.H. — Germany
Electronics Corporation of America (Nederland) N.V. — Netherlands



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FINANCIAL SUMMARY OF OPERATIONS FOR 1968

	1968	1967	INCREASE OVER 1967
OPERATIONS			
Consolidated Net Sales	\$16,566,701	\$13,544,248	22%
ECA Industrial Product Sales	14,158,869	11,548,830	23%
Military Contract Sales	2,407,832	1,995,418	21%
Foreign Sales	3,439,048	3,058,435	12%
EARNINGS			
From Operations	\$ 1,639,998	\$ 1,474,786	11%
Before Taxes	1,302,610	1,300,805	—
After Taxes	597,810	653,905	(9%)
Per Common Share	80¢	90¢	(11%)
DIVIDENDS			
Per Common Share	48¢	48¢	
FINANCIAL			
Net Working Capital	\$ 8,646,950	\$ 5,102,617	
Current Ratio	6.4 to 1	2.5 to 1	
Shareholders' Equity	\$ 5,558,219	\$ 5,227,275	
Shareholders' Equity per Share	\$7.48	\$7.17	
Common Shares	743,095	728,595	
SELECTED RATIOS			
(As a Percentage of Consolidated Net Sales)			
SALES			
ECA Industrial Product Sales	85%	85%	
Military Contract Sales	15%	15%	
	100%	100%	
EARNINGS			
From Operations	9.9%	10.9%	
Before Taxes	7.9%	9.6%	
After Taxes	3.6%	4.8%	

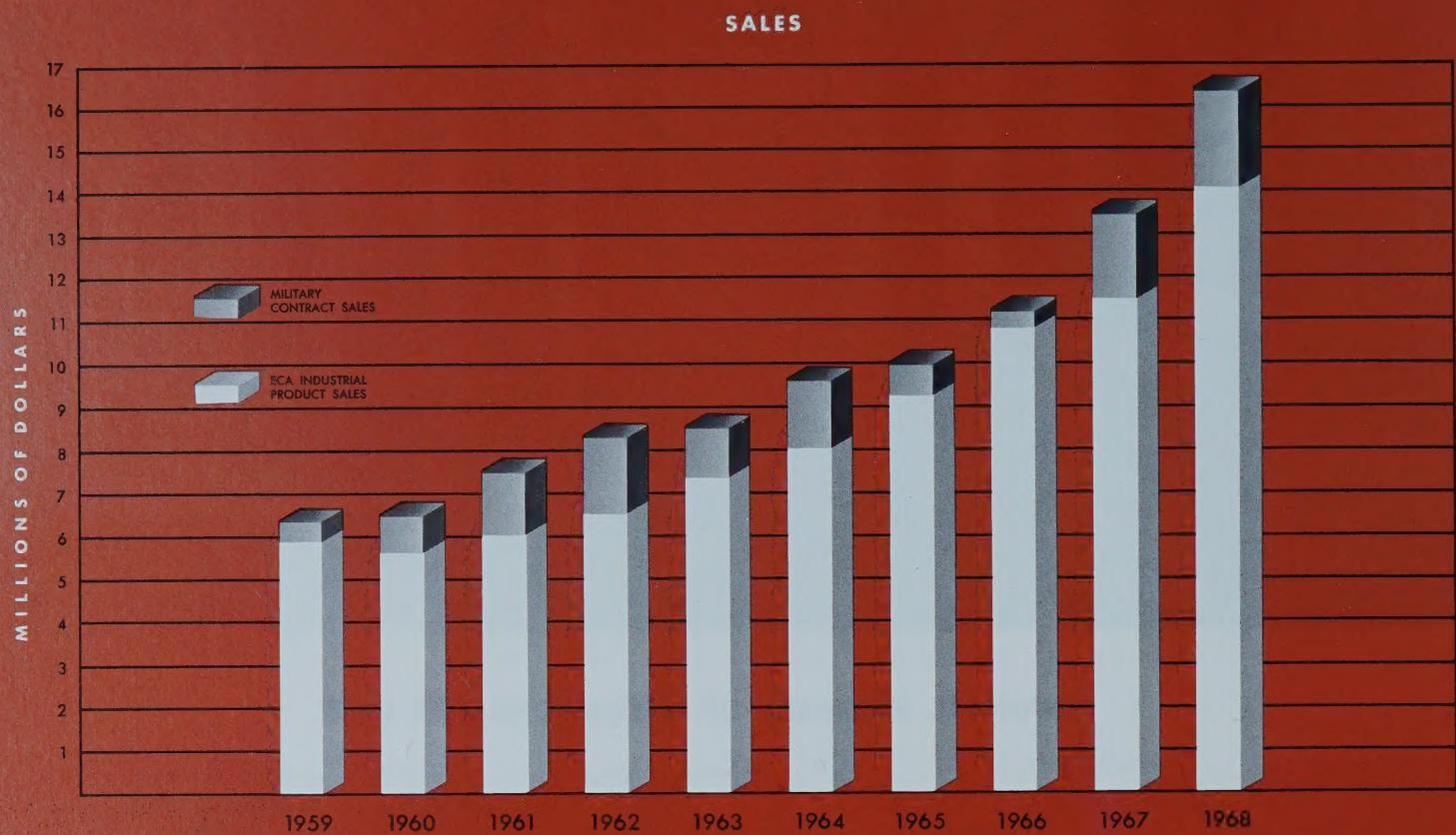


Figure 1

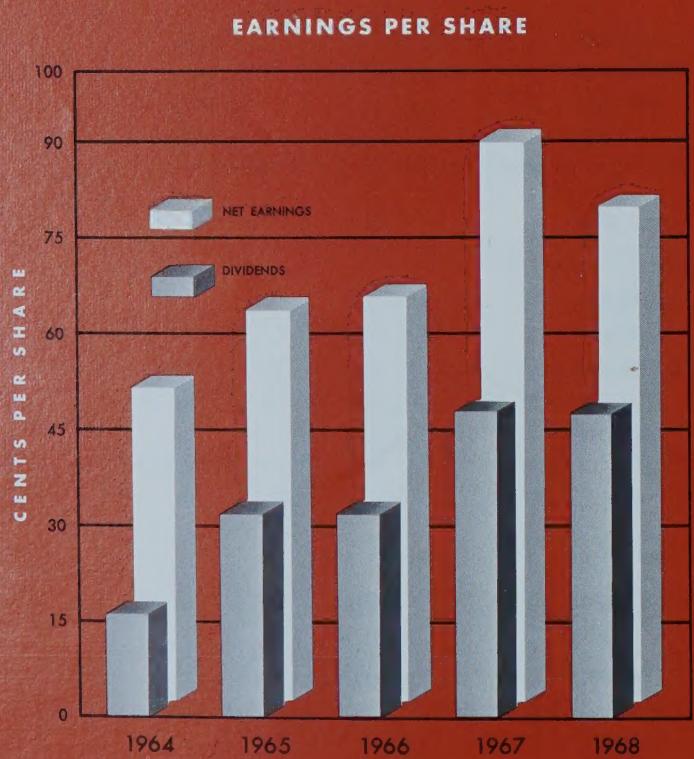


Figure 2

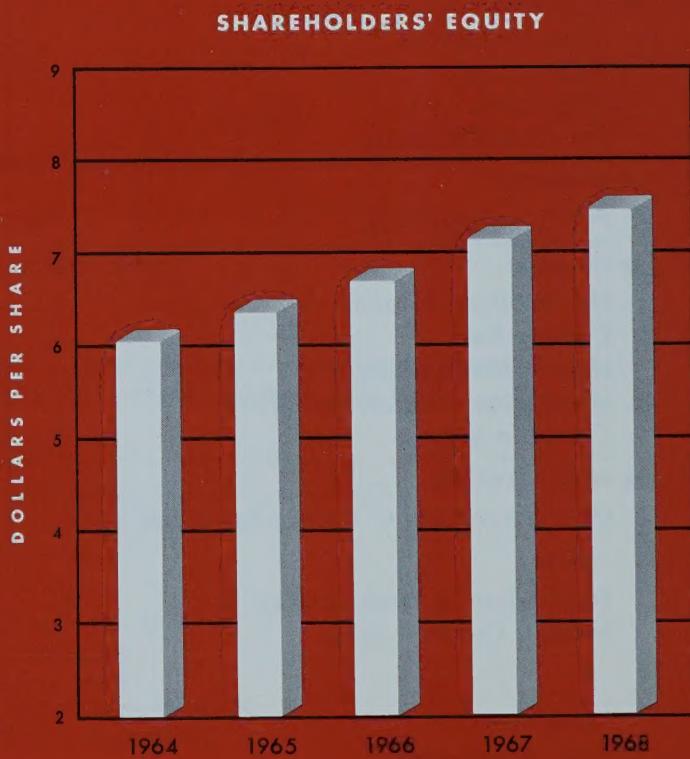


Figure 3



JOHN J. BRENNAN
Executive Vice President

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OPERATIONS — 1968

SALES AND EARNINGS

Consolidated net sales in 1968 amounted to \$16,566,701 compared to \$13,544,248 in 1967. Earnings from operations on a consolidated basis were \$1,639,998, up 11% from 1967. Consolidated net earnings, giving effect to the Federal surtax and the increase in the number of common shares outstanding mentioned heretofore, were \$597,810 in 1968, or 80¢ per share, as against \$653,905 in 1967, or 90¢ per share.

INDUSTRIAL SALES — WORLDWIDE

Consolidated net sales increased 22% over last year setting a record high for industrial sales for the seventh consecutive year. Industrial and commercial sales of ECA product lines to all markets increased by 23% over 1967 accounting for 85% of consolidated net sales with 15% being sales to the Government. Foreign sales increased 12% over the prior year.

DIVIDENDS

The Board of Directors, on January 15, 1969 voted to increase the quarterly dividend to 13¢ per share projecting an annual dividend rate of 52¢ per share. This small increase in dividend gives consideration to the

good prospects for improved earnings in 1969 at the same time taking into account the additional working capital requirements of greatly expanded sales and the steeply inclined growth trend which counsels proportionately greater retention of future additional earnings while maintaining or increasing current dividend levels.

FINANCIAL

In June 1968, the Corporation took down the remaining portion of the \$3,200,000 proceeds from senior-debt notes sold in 1967 and described in the Annual Report for that year. Later in the year, subordinated notes then outstanding in the amount of \$1,509,750 were retired by paying off these notes at their face amount plus accrued interest. This paved the way for the issuance of new non-convertible subordinated notes in the amount of \$3,500,000 bearing an interest rate of 8% payable over 15 years commencing in 1971. The new financing was associated with a loan agreement providing increased operating flexibility both as to total amount of debt permissible and for a more favorable ratio of funded debt to consolidated net tangible assets to satisfy the requirements of the Corporation's pattern of continuing growth on a very substantial scale. These

notes were privately purchased by the Massachusetts Mutual Life Insurance Company, Home Life Insurance Company, and The Home Life Insurance Company of America.

The consummation of this financing completes the current portion of our programmed domestic long-term financing and provides for domestic working capital needs at projected current rates through 1970. Management has been able successfully to complete this step in the financial structuring of the Company without dilution of stockholder equity in any way at a time when convertibility or the issuance of warrants was the usual rule in the placement of subordinated debt.

PRODUCTS, CUSTOMERS AND MARKETING

Sales are directly influenced by the extent and variety of our product lines offered by Combustion Control Division and Photoswitch Division which serve our industrial and commercial markets. Sales further depend upon the size and effectiveness of our worldwide sales organization and the energy which we expend continuously to penetrate further, markets in which our products are already well established. ECA management has, during the year, given careful and separate consideration to each of these important influencing factors and has made advances of real significance in each area.

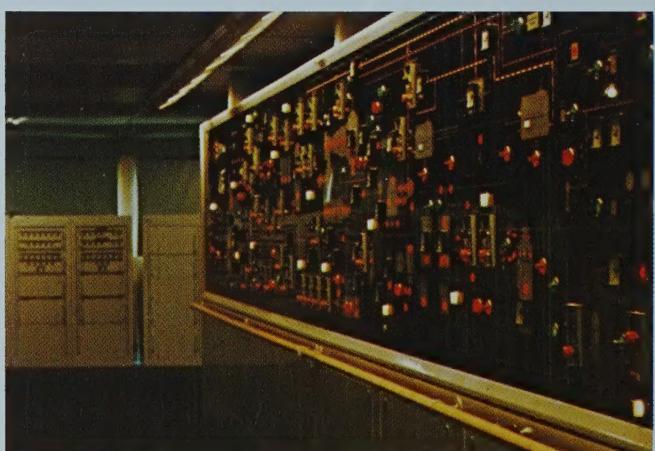
The curve of industrial sales generated by the Corporation and its subsidiaries, it is pointed out, reflects many thousands of separate sales of individual units to a wide variety of customers on a worldwide basis so that sales gains on this basis have a degree of permanence and predictability not associated with the gaining of a relatively small number of large contracts. In this connection, a definite cost to the Company in terms of current earnings is

associated with the rapid achievement of this sales growth on an accelerated basis. This cost which was not excessive, has nevertheless reduced earnings for 1968 as compared with what otherwise might have been realized. On the other hand, it is pointed out, that the Corporation's industrial sales have been nearly tripled over the last seven years, all by internal growth and without the acquisition of outside companies or dilution of shareholders' equity. Moreover, shareholders' equity has steadily increased while shareholders have received a significant dividend return on their investment. This successful policy of internal expansion is being continued with no indication of leveling off in markets for our product lines; rather, do reliable indicators point to a sales growth pattern exceeding that already established. We are continuously expanding our marketing organization in area sales offices in principal cities throughout the United States and in our wholly-owned foreign subsidiary companies.

MANUFACTURING

Manufacturing schedules were stepped up in all plants to meet increasing worldwide demand for ECA products in all categories. Furthermore, the complex task of setting up manufacturing conveyor systems and the equipping and timing of a multiplicity of assembly stations including the fabrication of associated tooling and dies was completed during the year for the production of new product lines, particularly Combustion Control Division's new UVM-2 control designed to meet and exceed the Underwriters' Laboratories new codes. Moreover, fabrication facilities for the production of industrial and utility burner management panel systems were expanded during the year.

In general, all ECA manufacturing facilities —



Graphic Display Panel Control Room — S.S. Magdala



Cambridge, Puerto Rico, Toronto and Belgium—were expanded as to personnel and equipment to meet increased production schedules. More automatic inspection and test equipment to improve quality control were introduced. Practicing what we preach—or rather what we sell—a high degree of automation has been incorporated into our production lines, particularly in the areas concerned with testing and quality control.

During the year complete tooling, i.e. fixtures and dies, together with conveyor assembly facilities were installed to produce a new line of precision relays used in a number of FIREYE products. Manufacturing operations in our Cambridge and Toronto plants have been realigned to concentrate in each plant the type of production for which it is most effectively equipped, at the same time, expanding manufacturing operations at both facilities.

Our new projected Belgian plant has moved into the design phase and is expected to go forward to completion some time in 1970.

ENGINEERING

The Engineering Department has the responsibility for the development and the design for production of a programmed series of new industrial products for the Combustion Control and Photoswitch Divisions.

Combustion Control developments during the year included:

New products in the FIREYE M-series line with increased function and automatic fail-safe features were developed to provide control performance superior to competitive equipment. They broaden an already sizable market in the process burner and heater burner fields.

Notwithstanding that infrared and ultraviolet flame monitoring by optical means is the modern method of supervising combustion, a considerable market still exists for flame rod, i.e. conductivity or rectification supervision of industrial flames. Consequently the technical capability of the M-series line was extended to include the flame rod option. New code requirements promulgated by Factory Mutual and the Underwriters' Laboratories were met by the

development of new controls for the utility and the packaged burner markets.

Controls were engineered to incorporate both ultraviolet and infrared scanning to broaden already established FIREYE lines. The needs of the large process-burner industry were met by the development of a new multiple burner control permitting monitoring of large, special ovens having up to 24 burners. This control will be able to utilize either ultraviolet sensors or flame rods including any combination of either with logic which provides for separate or simultaneous management of all burners. The industrial and commercial process-burner market is a very large one both with respect to new installations being made and the large number of existing installations which do not have any or adequate flame surveillance.

Burner management control panels, complete with logic systems, employing solid-state control throughout, thus eliminating electro-mechanical relays represent an on-going engineering program.

PHOTOSWITCH product development seeks to extend the ways in which electronic automation can improve the efficiency, reliability and safety of a wide variety of industrial processes. The PHOTOSWITCH product development program falls into two categories; firstly, the development of new products to provide new functions to meet new industrial needs; and secondly, a seemingly never-ending search to find ways to make our standard products ever smaller in size. Each degree of smallness achieved opens new untapped markets. In this connection it is necessary not only to utilize to the fullest advances made in transistor technology and the use of integrated circuits, but to exercise considerable ingenuity in the optical field.

Automatic distribution, routing and sortation is an activity in which our product lines make a particular contribution and is a field in which we are continually adding new product function and an increasing degree of automatic supervision. We are currently designing new basic sortation electronic amplifiers for plug-in printed circuit cards providing separate logic channels and having the capability of extended function by use of a multiplicity of photoelectric scanners.







Big Sandy Station At Night

RESEARCH AND DEVELOPMENT

INDUSTRIAL

A beginning has been made on a long range program looking toward the development of a safety system and safeguard sub-loops for the protection of nuclear reactors in the power generation field. While the timetable applicable to the program will not affect our sales volume for some years, it nevertheless recognizes the Company's responsibility to involve itself in this new and important field which, while confined for the present to large utility installations, relatively small in number, may well be a significant factor in future industrial power generation.

MILITARY AND AEROSPACE

In 1968, the principal efforts of the Military and Aerospace Division under classified military contracts were directed to the design of intricate infrared sensor arrays and to the advancement of fabrication techniques for volume production of microscopic detector elements. The precision required in the fabrication and mounting of each detector has reached levels heretofore considered unachievable. The dimensional limitations of these sensors continue to provide a technical challenge and this, coupled with an ever increasing requirement for greater sensitivity, maximum signal and freedom from background noise, pose problems on the very frontiers of the state of the art in this highly technical field. To appreciate the infinitesimal proportions of one of these detector arrays, several thousand of these detector elements cover an area of less than ten one-thousandths of a square inch.

The classified nature of this program does not permit further elaboration on the performance,

physical characteristics or purposes of these very sophisticated radiation-sensitive devices. Moreover, special automated test apparatus had to be designed and constructed to evaluate in high speed programmed sequence a great number of specimen detectors, whose characteristics are then processed by computer techniques to yield data pointing the way to further technical improvement of the basic infrared sensor elements. During the year many thousands of such detector tests were performed and a variety of engineering models of sensor arrays were constructed and tested to demonstrate the electronic and optical characteristics of these photoconductive devices under an on-going program which projects production in 1969 of a number of these sensor systems for deployment in outer space.

SALES

COMBUSTION CONTROL DIVISION

FIREYE sales in 1968 increased 22% over 1967. This was the largest annual growth that FIREYE products had ever achieved. Shipments of large supervisory panels during the year increased 30% over 1967.

The 1968 survey by *POWER MAGAZINE* for industrial fossil-fired steam plants from 2 to 78 megawatts covered 138 reporting units. The survey shows a total of 90 power generating plants equipped with burner management systems of which over 63%, or 57 units, were equipped with FIREYE systems. The remaining 33 plants were equipped with systems furnished by six competitors.

FIREYE burner management systems shipped in 1968 included the following:

Orange and Rockland Utilities, Tomkins Cove, New York — firing pulverized coal and gas — 250 megawatts.



Bank of FIREYE Equipped Wanson Packaged Boilers — Belgium

Department of Defense Installations, Alaska — a total of 12 FIREYE burner management systems for remote control of boilers at U. S. Air Force installations.

Hoosier Energy, Indiana — a utility firing oil and pulverized coal — 300 megawatts. Two FIREYE systems provide remote local controls with automatic drive units on registers, fuel guns and ignitors.

Olin Mathieson Chemical Corporation, Ecusta Paper Division — firing gas and coal produces 175,000 pounds of steam per hour. This FIREYE system is fully automated for remote control.

States Steamship Company, New Orleans — FIREYE burner management systems were provided for five new cargo vessels.

Phillips Petroleum Company, Sweeny, Texas — eight burners gas fired produce 600,000 pounds of

steam per hour. FIREYE burner management system incorporates hermetically sealed logic.

Houston Lighting and Power, Houston, Texas — auxiliary boiler firing gas produces 280,000 pounds of steam per hour. FIREYE system, one of our most sophisticated, includes features automating emergency start-up and operation.

Florida Power and Light, Ft. Meyers, Florida — each boiler has 18 burners equipped to fire oil and gas and produces 420 megawatts. This is the fourth FIREYE system furnished to this utility.

Trinidad and Tobago Electric Commission, Port of Spain, Trinidad — this utility produces about 100 megawatts. FIREYE system has a remote control for 8 burners firing gas and oil.

New Orleans Public Service, Louisiana — two FIREYE systems for remote operation of two units

UVM-1; UVM-2 — FIREYE Controls
For Process and Heating Burners



PROTECTS POWER PLANTS
THROUGHOUT THE WORLD



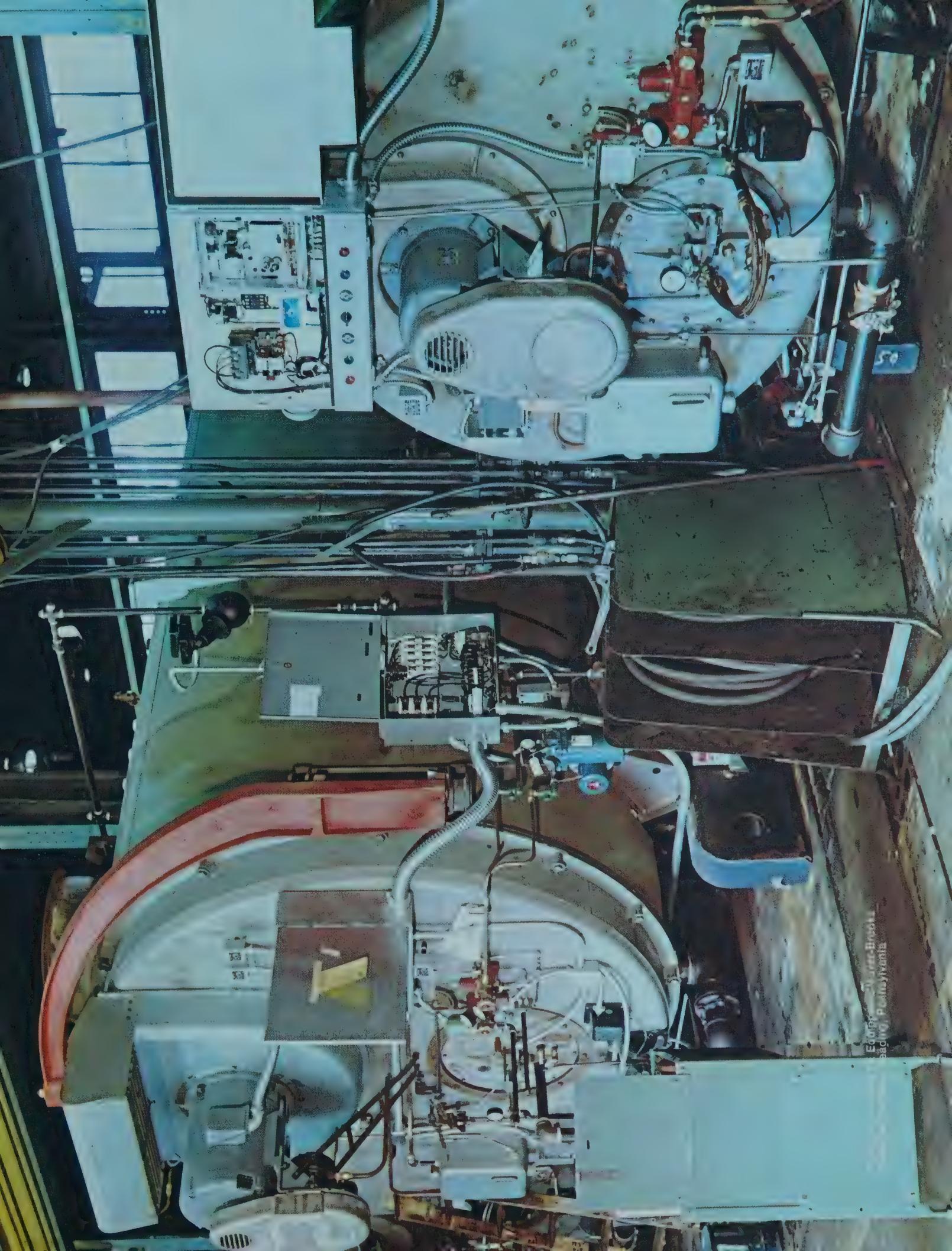
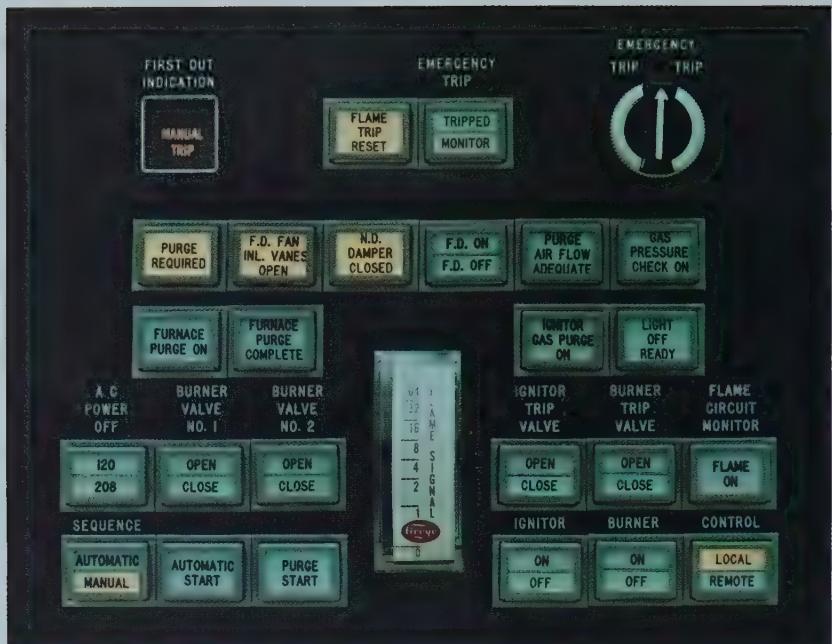


Photo: Steve Brody
Racing Photo Service



FIREYE Insert — Readout Station In The Control Room
For Startup Boiler At P. H. Robinson Generating Station, Unit #3,
Houston Lighting and Power Company, Texas

with a combined output of 530 megawatts. These systems were designed with the capability of complete start-up and shut-down of individual burners on demand of the turbine generator.

Alcoa Aluminum Company, Point Comfort Plant, Texas — firing gas produces 220,000 pounds of steam per hour. FIREYE system is a four burner semi-automatic system.

Air pollution rulings caused a number of fuel conversions from coal and oil to gas during 1968. Conversions ordering FIREYE burner management systems include the following:

Consolidated Edison Company of New York, Inc.
Atlantic City Electric Company
Dayton Power and Light Company
Greenwood Mills, South Carolina

One of the largest manufacturers of heating equipment in the United States adopted FIREYE controls as standard with their burners, issuing a blanket order to cover their entire 1969 burner safeguard control requirements, equipping their product with modern ultraviolet flame detection.

The UVM-1 control for the process burner and heating field enjoys a steadily expanding market. The new UVM-2 control designed to meet the recently promulgated Underwriters' Laboratories 795 code requirement was introduced in 1968 and is uniquely positioned by reason of the field testing it has undergone over the last year and a half to capture a good portion of the commercial burner market opened up by this new mandatory UL code requirement.

PHOTOSWITCH DIVISION

Sales of PHOTOSWITCH products are 24% ahead of 1967.

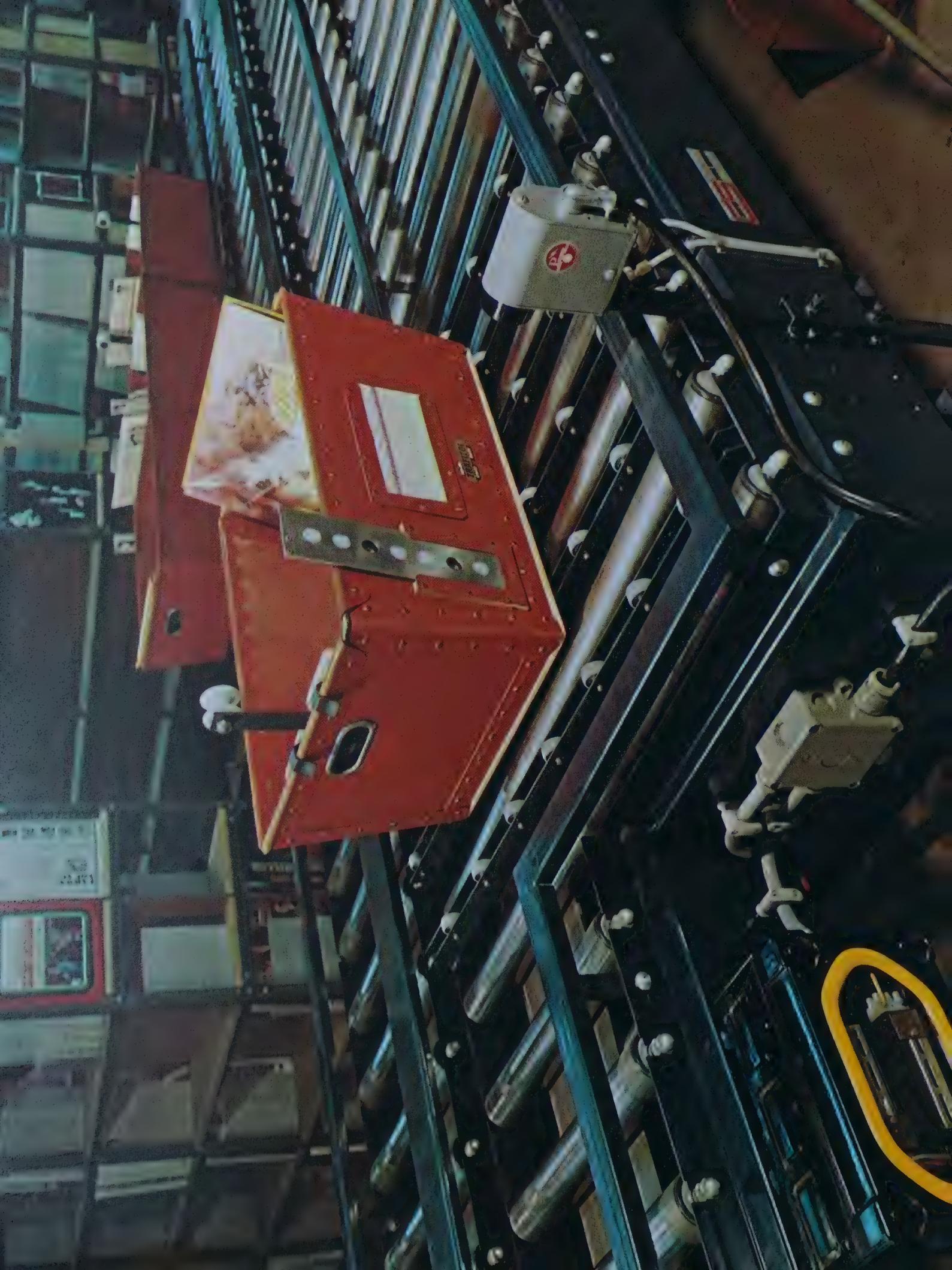
Sales management and sales engineering personnel were expanded during the year on the largest scale ever accomplished in this Division.

The PHOTOSWITCH line of electronic automation controls has, over the years, provided solutions to a wide variety of industrial processes and manufacturing problems. For example: PHOTOSWITCH application engineers solved an important inspection problem for a United States Army ammunition plant. PHOTOSWITCH photoelectric controls had to be capable of inspecting the stitching of bags of gun powder at the rate of 72 bags, or 393 inches, per minute. A single broken stitch in thread 0.012 inch in diameter had to be detected. Accuracy had to be nearly 100% since a defective stitch would allow gun powder leakage during shipment. PHOTOSWITCH controls reliably provide this critical inspection function with an accuracy which was virtually impossible with human inspection.

Another example: in the manufacture of sweaters, the sweater bodies are one long, unbroken tubular woven web. In the processing, the material is automatically steamed as it passes through the manufacturer's machine. The waistband or cuff must not, however, be steamed. As the tubular web passes by, it is monitored by a PHOTOSWITCH miniature retroreflective scanner which "sees" the wide weave section just prior to the cuff. This actuates a

P. H. Robinson Station,
Houston Lighting and Power Company, Texas





distribution

revue technique des opérations de distribution :
ENTREPOSAGE • EMBALLAGE • MANUTENTION • STOCKAGE • GESTION
DES STOCKS • EXPÉDITION • TRANSPORT • TRAFIC • LIVRAISON



Photoswitch
Controls
Materials
Handling at
Galeries
Lafayette
Paris, France

PHOTOSWITCH photoelectric relay, energizing a PHOTOSWITCH timer, which operates to close the steam valve when the cuff reaches the steam jet area. A second PHOTOSWITCH timer holds the steam valve closed long enough for the cuff to pass, thus completing the automatic process.

The PHOTOSWITCH 42RL series retroreflective photoelectric scanner is, we believe, the leading control in the materials handling field, having captured the majority of applications.

In the tobacco industry applications include: control of high and low level of tobacco in feed hoppers on automatic cigarette manufacturing machines; inspection of package for stamps, coupons and proper seals; photoelectric product counting for the utmost in accuracy; controlling the flow of cigarette packs, cartons and cases on conveyors throughout the plant, which involves jam, void and motion detection; proper forming of cigarette packages by means of registration controls; and sortation of cases of cigarettes in warehouses for distribution and storage.

The largest shoe warehouse in the world — under sixteen acres of roof with 47 miles of conveyors — is equipped with more than 300 PHOTOSWITCH sortation and traffic controls.

PHOTOSWITCH photoelectric units will be applied to the automation of the Boston and St. Louis Post Offices.



CONTROL FOR INDUSTRY

PHOTOSWITCH controls are applied to giant welding machines being capable of welding 14" thick steel plates providing flame-out and continuity control.

At the other end of the spectrum: in feeding roll newsprint into presses, there must be continuity from one roll to the next. To accomplish this, the Brooklyn Daily News employs the flying splice. The tail end of the roll in use is marked with a red sticker, or flag. As the roll unwinds, a PHOTOSWITCH scanner senses passage of the flag and initiates rotation of the roll to follow. When the rotational speed of this roll equals the speed of the roll in use, the leading edge of the new roll is automatically spliced to the trailing edge of the old roll and press operation continues without interruption.

Such difficult industrial problems involving ingenuity and the ultimate in versatility are routinely solved by PHOTOSWITCH controls.

FOREIGN SUBSIDIARIES— HIGHLIGHTS

Electronics Corporation of America (Canada) Ltd. increased sales by 7% over 1967. The Canadian Department of Defence selected FIREYE for the first support vessel of the Royal Canadian Navy having a remote burner management system.

All packaged boilers over 100 H. P. have standardized on FIREYE controls.

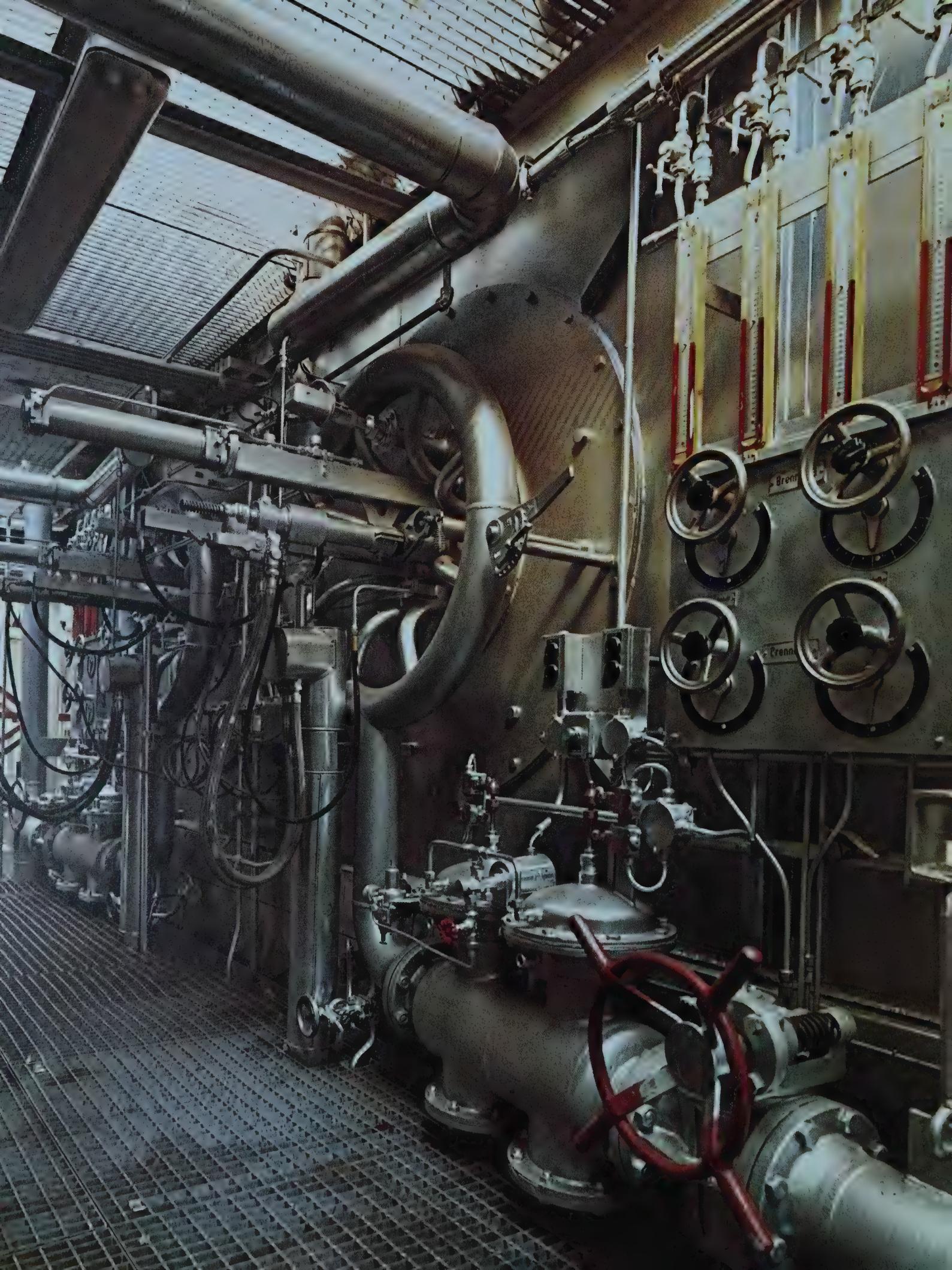
The first fully automated warehouse in Canada is PHOTOSWITCH equipped. The cargo and baggage installation at the Toronto, Winnipeg and Vancouver airports use PHOTOSWITCH controls.

Electronics Corporation of America (Great Britain) Limited increased sales about 10% over last year.

Sales of controls for gas burners increased — 51% — due to the gas finds in the North Sea. This trend should continue.

FIREYE burner management systems for two large container ships were furnished, and others were supplied to British boiler manufacturers for ships built throughout the world.

Orders were received for a 36-burner combustion-quality indicator panel for a 300 megawatt pulverized fuel-fired boiler at Cockenzie Power Station in



Scotland, and for burner controls for Units 2 and 3 of the Ballylumford Station in Northern Ireland. PHOTOSWITCH supplied equipment for the new baggage terminal at London Airport.

Electronics Corporation of America (France) s.a.r.l. achieved sales 16% higher than 1967, despite the French general strike. Flame monitoring equipment was supplied for the 275,000 ton giant tanker S. S. Magdala built by Shell. Air pollution regulations resulted in an increase in smoke density alarm installations. FIREYE panel systems for the process burner field provided a sizable market. PHOTOSWITCH controls were installed on the assembly line at the Renault plants and were used in installations for sortation in three leading French mail order houses: GALERIES LAFAYETTE, TROIS SUISSES, and LA REDOUTE.

Electronics Corporation of America (Europe) S.A. manufactures ECA products sold in the European market by our subsidiaries. In addition, its own trade sales were up 13% from last year. Its distributors and sales agents throughout Europe sell both FIREYE and PHOTOSWITCH products.

Electronics Corporation of America (Deutschland) G. m. b. H. increased sales by more than 38% over 1967 although here the percentage of potential sales realized up to now is a relatively small portion of this vast market. Steps were taken during the year to establish in Dusseldorf a sales headquarters to serve the heavily industrialized Ruhr area in addition to the one in Frankfurt.

The main growth in FIREYE sales was to public utilities and industrial power plants. Some installations were:

BADENWERKE KARLSRUHE — two boilers — 8 oil burners each — 150 MW.

NECKARWERKE WAHLHEIM — one boiler — 8 oil and pulverized coal-fired burners — 150 MW.

BAYERNWERKE PLEINTING — one boiler — 20 oil-fired burners — 300 MW.

Forty-eight systems to the British Petroleum refinery at VOHBURG.

Electronics Corporation of America (Nederland)

N. V. in its first full year of operation showed an increase in sales of 43% over 1967 sales to Holland. Examples of FIREYE acceptance in the industrial power and utility fields were:

FLEVO station — a utility — 2 units of 180 MW capacity each — 16 gas/oil-fired burners each.

PEGUS station — a utility — 2 units of 132 MW capacity each — 12 burners each.

With the gas finds in Holland, many power stations are converting to gas creating an important market for FIREYE ultraviolet burner management systems.

Three large 240,000 ton ESSO tankers under construction here are being FIREYE equipped.



FIREYE Equipped Steam Cracking Plant—Compagnie Française de Raffinage Shell, Berre L'Etang, France



CONSOLIDATED BALANCE SHEET

ASSETS

	1968	1967
CURRENT ASSETS:		
Cash and U.S. Government Securities	\$ 2,376,931	\$ 1,258,335
Accounts Receivable	3,203,744	2,422,860
Cost and Fees Billed and To Be Billed —		
U.S. Government contracts	232,601	900,223
Inventories — at the lower of cost or market:		
Raw materials, parts and supplies	1,973,178	1,709,779
Work in process	1,029,302	1,191,765
Finished goods	1,288,916	889,022
Prepaid Expenses	151,180	190,496
TOTAL CURRENT ASSETS	\$10,255,852	\$ 8,562,480
 PROPERTY, PLANT AND EQUIPMENT (at cost):		
Improvements to Leased Property	\$ 2,244,403	\$ 2,097,988
Machinery and Equipment	2,315,987	1,794,214
Tools, Dies, Jigs and Fixtures	581,620	570,110
Furniture and Fixtures	660,133	581,771
	\$ 5,802,143	\$ 5,044,083
<i>Less: Accrued Depreciation</i>	2,875,893	2,530,646
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 2,926,250	\$ 2,513,437
 GOODWILL	1	1
 DEFERRED CHARGES		
Research and Development — unamortized balance	429,472	357,998
Other	255,546	152,847
TOTAL	\$13,867,121	\$11,586,763

The accompanying notes are an integral part of this statement.

ELECTRONICS CORPORATION OF AMERICA

DECEMBER 31, 1968 AND 1967

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967
CURRENT LIABILITIES:		
Accounts Payable	\$ 788,861	\$ 763,262
Notes Payable to Bank	—	1,600,000
Long-Term Notes Payable — Current Maturities	—	160,125
Accrued Items:		
Salaries, Wages and Commissions	578,052	468,078
Interest	63,222	21,403
Federal and State Income Taxes	178,767	446,995
TOTAL CURRENT LIABILITIES	\$ 1,608,902	\$ 3,459,863
 LONG-TERM NOTES PAYABLE (Note 2)	 \$ 6,700,000	 \$ 2,899,625
 SHAREHOLDERS' EQUITY:		
Common Stock — par value \$1 per share:		
Authorized — 1,500,000 shares (Note 3)		
Issued and Outstanding — 769,895 shares	\$ 769,895	\$ 755,395
Paid-in Capital	2,613,546	2,541,346
Retained Earnings	2,326,413	2,082,169
	\$ 5,709,854	\$ 5,378,910
 <i>Less: Common Stock Held in Treasury, 26,800 shares (at cost)</i>	<i>151,635</i>	<i>151,635</i>
TOTAL SHAREHOLDERS' EQUITY	\$ 5,558,219	\$ 5,227,275
TOTAL	\$13,867,121	\$11,586,763

The accompanying notes are an integral part of this statement.



STATEMENT OF CONSOLIDATED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
NET SALES	\$16,566,701	\$13,544,248
COST OF GOODS SOLD	9,807,064	7,687,046
GROSS EARNINGS ON SALES	\$ 6,759,637	\$ 5,857,202
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,119,639	4,382,416
EARNINGS FROM OPERATIONS	\$ 1,639,998	\$ 1,474,786
INTEREST AND OTHER CHARGES, NET	337,388	173,981
EARNINGS BEFORE INCOME TAXES	\$ 1,302,610	\$ 1,300,805
PROVISION FOR FEDERAL AND STATE INCOME TAXES	704,800	646,900
NET EARNINGS FOR THE YEAR	<u><u>\$ 597,810</u></u>	<u><u>\$ 653,905</u></u>

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE BEGINNING OF YEAR	\$ 2,082,169	\$ 1,776,886
NET EARNINGS FOR THE YEAR	597,810	653,905
	<u><u>\$ 2,679,979</u></u>	<u><u>\$ 2,430,791</u></u>
CASH DIVIDENDS	<u><u>353,566</u></u>	<u><u>348,622</u></u>
BALANCE END OF YEAR	<u><u>\$ 2,326,413</u></u>	<u><u>\$ 2,082,169</u></u>

The accompanying notes are an integral part of this statement.

ELECTRONICS CORPORATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1968

1. CONSOLIDATION:

The accompanying financial statements include the accounts of Electronics Corporation of America and its wholly-owned subsidiary companies.

2. LONG-TERM NOTES PAYABLE:

(a) \$3,200,000 — 6 3/4% Notes issued in the amount of \$1,550,000 in November, 1967 and \$1,650,000 in June, 1968, and due as follows: \$250,000 per year in each of the years 1970 through 1981, and the balance in 1982. The proceeds of the initial issue in November, 1967 were applied in part to the retirement of all the outstanding 5% Notes due August 1, 1976, and the balance to general corporate purposes. The proceeds of the issue of June, 1968 were applied to general corporate purposes. Under terms of the Agreement, the Corporation may pay any cash dividend which, in the aggregate, does not exceed consolidated net income earned after December 31, 1966, plus an additional amount of \$350,000.

(b) \$3,500,000 — 8% Subordinated Notes issued in November, 1968 and due at the rate of \$200,000 per year beginning in 1971 and each year thereafter, with the balance due in 1983. The proceeds were applied to the retirement of all the outstanding 5% Subordinated Notes due December 1, 1975, and the balance to general corporate purposes. Under terms of the Agreement, the Corporation may pay any cash dividend which, in the aggregate, does not exceed consolidated net income earned after December 31, 1967, plus an additional amount of \$350,000.

Voluntary redemptions may be made at any time on either class of Notes, upon the payment of certain premiums.

3. STOCK OPTIONS:

Under a restricted stock option plan, 36,250 shares of Common Stock were reserved at December 31, 1968 for issue to officers and key employees (other than to individuals who owned more than 10% of the Corporation's Common Stock) at option prices not less than 95% of the fair market value of the stock at the time the options were granted. At December 31, 1968, there were outstanding options on 4,500 shares at \$4.64 per share. Since that date, these options have all been exercised and the plan has been cancelled.

During 1968, options were exercised on 14,500 shares at a total price of \$86,700.

4. PENSION PLAN COSTS:

The Company's policy is to fund pension plan expense as it accrues, including amortization of prior years' service cost in equal annual amounts over the average remaining service life of the employees involved. Such pension plan expense for the year 1968, in the amount of \$80,600, is reflected in the accompanying financial statements.

5. CONTINGENT LIABILITIES AND OTHER MATTERS:

The Corporation's income tax returns have been examined by the Internal Revenue Service through the year ended December 31, 1966, and all adjustments have been settled.

In 1968, the Company, consequent to a military contract accounting resolution, adopted a policy of capitalizing overhead costs relating to test equipment made by the Company. Such costs, in the amount of \$121,800 in 1968, were capitalized with the approval of the Company's auditors.

The Corporation is obligated by long-term leases for annual rental of \$392,000 in 1969.

AUDITORS' CERTIFICATE

To the Shareholders of
ELECTRONICS CORPORATION OF AMERICA
Cambridge, Massachusetts

We have examined the consolidated balance sheet of ELECTRONICS CORPORATION OF AMERICA, as of December 31, 1968 and the related statements of consolidated earnings and consolidated retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously had made a similar examination for the preceding year.

In our opinion, the accompanying financial statements present fairly the financial position of Electronics Corporation of America and its subsidiary companies at December 31, 1968, and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, of which we approve, referred to in Note 5.

PATTERSON, TEELE & DENNIS
Certified Public Accountants

Boston, Massachusetts
February 18, 1969



All Burners Fitted With
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John J. Brennan, *Executive Vice President and Director*
Richard R. Glendon, *Vice President, Treasurer and Director*
James S. Carlile, *Director*
John F. Zinn, *General Manager*
Douglas C. Appleton, *Controller and Secretary*

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Richard R. Glendon, *Director*
Andre W. ter Meulen, *Director*
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Herent (Louvain) Belgium

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Richard R. Glendon, *Director*
Andre W. ter Meulen, *Director*
Simon de Meij, *General Manager*

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Richard R. Glendon, *Director*
Andre W. ter Meulen, *Director*
Gerard Gense, *General Manager*

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Frankfurt/Main, Germany

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Richard R. Glendon, *Director*
Andre W. ter Meulen, *Director*
Ralf R. Nolting, *General Manager*

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Amsterdam, Netherlands

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Andre W. ter Meulen, *Director*
Hendrik B. J. van der Keur, *Acting General Manager*



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